

**August 2005**

**U.S. Small Business Administration  
Cleveland District Office**

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**August 2005 Newsletter**

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- Your rights to regulatory fairness:  
1-800-REG-FAIR

## President Bush Announces Appointment of Stephen Galvan As Acting Deputy Administrator of SBA

President Bush has designated U.S. Small Business Administration Chief of Staff Stephen Galvan as acting deputy administrator of the agency. Galvan will continue to serve as the SBA's chief of staff and chief operating officer, positions he has held since July 2004. He also has served as the agency's chief information officer.



*"Stephen Galvan has been a valuable member of my management team here at the SBA, and I am thrilled he will be our next acting deputy administrator," said SBA Administrator Hector V. Barreto. "Stephen's impeccable credentials, his from-the-inside understanding of SBA operations and his commitment to small businesses and the Bush Administration make him the perfect person to serve in this important position."*

As SBA's acting deputy administrator, Galvan serves as second in command to Administrator Barreto in managing an agency with more than 80 offices across the country. He is responsible for overseeing policy development and program supervision for the SBA.

Before coming to the SBA, Galvan served as E-Government portfolio manager for the Office of Management and Budget (OMB). There, he used modern technology to improve internal federal government processes to reduce costs in areas such as supply-chain management, financial management and knowledge management.

Galvan, a former entrepreneur, has extensive business and information technology management experience in telecommunications, media, utilities, consumer products and insurance industries. He has worked for Fortune 500 companies and consulting firms. Galvan holds a Master of Business Administration degree from the University of Chicago Graduate School of Business, and a Bachelor of Science degree from the University of Illinois at Chicago. ♦

**Experienced State and  
Local Government Official  
Ray Marchiori  
Joins SBA Office of  
Advocacy As Region V  
Advocate**

*Will Work With  
Small Businesses,  
Trade Associations, Legislators,  
Local Governments*

On July 11, experienced state and local government official Ray Marchiori joined the Office of Advocacy as Regional Advocate for the federal government's **Region V, covering Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.**

He is now the direct link between small business owners, state and local government agencies, state legislators, small business associations, and the Office of Advocacy of the U.S. Small Business Administration (SBA).

"Ray Marchiori is a great addition to President Bush's small business team," said Thomas M. Sullivan, Chief Counsel for Advocacy. "His experience in all levels of government - local, state, and federal - and his family background in small business will allow him to immediately help small business owners combat overly burdensome government regulations."

Marchiori has extensive local, state, and federal government experience. Most recently, he was Chief of Staff at the Rural Development/Rural Utilities Service of the United States Department of Agriculture. There he focused on the President's Rural Broadband Deployment Initiative and the Rural Utilities Service management plan. Previously he served as a Commissioner of the Northeastern Illinois Planning Commission, the Executive Director of the DuPage County (IL) Workforce Board and worked in both the legislative and executive branches of Illinois state government.

**NATIONAL SMALL BUSINESS WEEK NOMINEES  
WANTED:**

In recognition of the small business community's contribution to the American economy, the President of the United States designates one week each year as National Small Business Week. As part of this special week, SBA presents awards to deserving entrepreneurs and small business advocates at the district, state and national levels.



We are already beginning our preparations for Small Business Week '06, but we need your help making the week a success! We are seeking nominees for the awards that will be distributed during Small Business Week. If you know of someone deserving of consideration for these prestigious awards, please contact Jim Donato at (216) 522-4180, ext. 215. Jim can provide details of the nomination process.

We hope to accept applications for various award categories, including Small Business Person of the Year. In addition, we are seeking nominations for Small Business Exporter of the Year, Financial Services Advocate of the Year, Minority Small Business Advocate of the Year, Women in Business Advocate of the Year, and others.

We know we have great small businesses and small business advocates here in the area - let's see if we can get one recognized at the National level during Small Business Week '06!!!♦

Marchiori grew up working in his family's restaurant, which his mother still runs in Hennepin, IL. In high school he started a small business that helped pay for his education at Northern Illinois University. "I am excited to be able to use my governmental experience and small business background to promote policies that strengthen entrepreneurs," said Marchiori upon his appointment. "I look forward to being a part of the Office of Advocacy and to the opportunity to bring the concerns of small business owners in Region V to Washington, D.C."

Regional Advocates help identify new issues and concerns of small business owners. They also monitor the impact of federal and state policies on small business at the local level. They work closely with local government officials, state officials, legislators, and the Chief Counsel for Advocacy to develop programs and policies that reduce regulation and promote small business growth.

For more information, call Ray Marchiori at (312) 353-8614 or visit the Office of Advocacy website at [www.sba.gov/advo](http://www.sba.gov/advo).♦

## Michael W. Hager Appointed ADA for Capital Access

SBA Administrator Hector V. Barreto announced the appointment of Freddie Mac executive Michael W. Hager as assistant deputy administrator of the Office of Capital Access. Hager will manage all of the agency's programs and operations concerning financial assistance by way of loans and investments, and will be responsible for advising Administrator Barreto on all aspects relating to financial assistance. "Today, the SBA is helping more small businesses than ever, and I am sure that under Mr. Hager's leadership the Office of Capital Access will continue its fine work of making sure that assistance is available to America's small businesses," said the Administrator.

Hager has extensive experience in corporate America, where he has worked for complex and large organizations. Prior to joining the SBA as assistant deputy administrator for capital access, he was senior vice president of human resources for Freddie Mac, which links the domestic housing market and global capital markets. He has also been senior vice president for Bank One Corporation in Ohio. ♦

### Cleveland District Office Program Staff

*Gilbert B. Goldberg*, District Director  
*Richard A. Lukich*, District Counsel

#### Lender Relations:

*James F. Donato*, Manager and PIO  
*Timothy J. Ensich*, Lender Relations Specialist  
*Mark C. Hansel*, Lender Relations Specialist  
*Thomas R. Sangrik*, Lender Relations Specialist

#### Business & Economic Development (Community Outreach):

*James M. Duffy*, Manager  
*John R. Renner*, Business Development Specialist  
*Sonya M. Wagasky*, Business Development Specialist

## HOW WELL DO YOU KNOW YOUR CUSTOMERS? WEEE!

Ohio Companies exported more than \$1.2 Billion in Electrical Equipment, Appliance and Parts in 2004, a 14% increase over 2003. Do any of your clients export electrical goods/components to the European Union (EU)? Do they know what WEEE and RoHS stand for, or how these EU regulations will affect the import of their products into the EU? The Waste of Electronic and Electrical Equipment (WEEE) directive goes into effect in August 2005, and the Reduction of Hazardous Substances (RoHS) directive goes into effect in July 2006.

These EU regulations place the burden on manufacturers to reduce the environmental impact of both production processes and the disposal of the actual products throughout the 25 EU Member States. To learn more visit <http://www.buyusa.gov/europeanunion/weee.html>. This is just one example of the nuances that impact U.S. exporters. Many lenders in Ohio are unaware of the international activity of the small businesses in their portfolio.



Yet, Ohio has more than 10,800 Small and Medium Sized Enterprises (SMEs) that export more than \$4 Billion in merchandise on an annual basis. Selling goods and services overseas can be a very challenging and rewarding experience for small and medium sized businesses. Recognizing that many firms can experience **tightened cash flow** as a result of their export activity, the SBA has loan programs designed to meet the unique needs of small and medium-sized exporters.

The Export Working Capital Program (EWCP) program provides your bank with a 90% guaranty on a line of credit to support **100%** of the cost of a small business export sale. The line can be established to support a single transaction or as a revolving facility.

The guaranty fee is ¼ of 1% for loan terms up to 12 months. Lines can be renewed for an additional ¼ of 1% renewal fee; the renewal process is streamlined. The interest rate is negotiated between the participating lender and small business exporter. **There are no restrictions on the rates or fees** that the Lender may charge. The maximum guaranteed portion of an EWCP Line of Credit is \$1.5 Million. Through a Memorandum of Understanding (MOU) with the Export-Import Bank of the United States, lenders can receive a \$1.8 Million guaranty on loan amounts up to \$2 Million.

To qualify for an EWCP, businesses must meet SBA's small business size standards (typically, less than 500 employees), been in business for at least one year, be unable to obtain the needed financing through conventional sources and be owned by individuals of good character. The one-year provision can be waived if the applicant has the requisite experience to be a successful small business exporter. The EWCP is transactional financing with the focal point of the credit analysis being the proposed export transaction and future cash flow projections. **There are no minimum financial ratios or equity positions.** The SBA processes EWCP applications at the United States Export Assistance Center (USEAC) in Cleveland.

Exporters that need less than \$250,000 are best served through the *Export Express* program. A SBA *Export Express* loan provides the lender with a higher guaranty than a

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**WEEE!**

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regular Express Loan (75% or 85%) and uses the exact same application procedure. Loan applicants just need to show that the loan proceeds will enable them to enter a new export market or expand an existing export market and that they have been in business, though not necessarily in exporting, for at least 12 months. Loan proceeds may be used for any business purpose that will enable the Company to be in a better position to export.

Any lender that is authorized to participate in the SBA *Express* loan program may participate in SBA *Export Express*. The lender uses its own loan analyses, loan procedures and loan documentation. The SBA guaranty encourages lenders to make loans to small business exporters that they might not make on their own. The SBA's *Export Express* guaranty level is 85 percent on loans less than \$150,000 and 75% on loans between \$150,000 and \$250,000. The maximum loan amount under *Export Express* is \$250,000.

For more information on any of SBA's special export lending programs, contact SBA's Patrick Hayes on 216-522-4731 or [phayes@mail.doc.gov](mailto:phayes@mail.doc.gov). ♦

## **SBA SMALL BUSINESS TRAINING SEMINAR**



*Jim Duffy, SBA Cleveland District Office Manager of Business and Economic Development (facing at left), works with seminar participants on business planning for growth and advancement.*

The Cleveland District Office hosted an advanced training seminar for eligible 8-A, Hub Zone and Disadvantaged Businesses on July 28<sup>th</sup> in the auditorium of the U.S Bank Building in downtown Cleveland. The training was conducted by Strategic and Learning Services headquartered in Albuquerque, N.M. Thirty one business owners attended the seminar which was designed exclusively for owners of small businesses that have been in operation for at least six years. Topics discussed included assistance in developing a plan for strategic growth. ♦

## **Minority and Women Business Ownership Increasing Faster Than National Average**

The U.S. Census Bureau has released preliminary estimates from its 2002 Survey of Business Owners, indicating that minority groups and women are increasing business ownership at a much faster rate than the national average. Overwhelming increases in minority business ownership parallel the demand for SBA loan products in these communities. The SBA's flagship 7(a) loan program has registered sharp increases in loans to women and minority-owned businesses during the first three quarters of FY 2005. Loans to minorities have increased by 27 percent, compared to the same period in FY 2004, and loans to women have shown an increase of almost 50 percent, followed closely by loans to African-American business owners, which are up 46 percent. SBA loans to start-up companies have increased by 76 percent over last year.

"These newly released census estimates and our own loan figures validate what I see in the communities I've visited all across the country," said SBA Administrator Hector V. Barreto. "Minority and women entrepreneurs are leading the way in business growth and are making important contributions to our nation's economic strength. This impressive growth in business ownership, and the clear-cut benefits that result from it, is what President Bush refers to when he talks about the ownership society." The U.S. Census Bureau's press release is located at [http://www.census.gov/Press-Release/www/releases/archives/business\\_ownership/005477.html](http://www.census.gov/Press-Release/www/releases/archives/business_ownership/005477.html). For information on SBA loan programs visit <http://www.sba.gov/financing/index.html>. ♦

## 504 News

### *Growth Capital Corp. adds a New Executive Director*

Economic development in Cleveland has long been assisted by the SBA 504 Loan Program and its job creation. New employment opportunities attract new residents to the region, and the 504 program recently did just that without even providing a loan. Growth Capital recently attracted a Pittsburgh native as its new Executive Director. Ohio may have lost Ben Roethlisberger to the Steelers but Growth Capital picked up John Kropf from Community Loan Fund.

John recognizes the potential of Growth Capital and the economic development impact the 504 program can have on our communities. "We saw the real value of 504 lending to our mission in Pittsburgh," John notes, having started a CDC for Community Loan Fund in 2003. "When the opportunity arose to accept the challenge of taking Growth Capital to the next level, I just couldn't pass it up." So John and his wife Lynne packed up the house and five kids and moved up the turnpike. "I've already seen several Indians games and look forward watching LeBron James and I am quite sure I can sell a few fans on the Steelers."

While that might be a tough sell around here, selling the benefits of the SBA 504 loan should be quite a bit easier.

"We are embarking on Building Growth Capital for Volume," John said. "By being easy to work with, for both our lending partners and our customers, we can provide the level of service that really brings the advantages of the 504 loan to more companies in our region. And as we accomplish that we will achieve the economic development mission of Growth Capital."

"It surely is a team effort, being a valuable SBA resource partner, as are all the CDCs in Ohio," John stated. "That team effort is really exemplified here at Growth Capital. We also have the advantage of our affiliation with the Greater Cleveland Partnership led by Joe Roman, and that certainly enhances our image as we Build Growth Capital for Volume."

Growth Capital is looking forward to the promise of impacting the economic development of Northeast Ohio with further expansion of the SBA 504 Loan Program. "Despite the fact that he is a Steelers' fan, we look forward to working with John on building 504 loan volume in Northern Ohio," stated Gil Goldberg, District Director of SBA's Cleveland District Office. ♦

## UPDATE ON LOANS

### 7(a) Loans

Bank	Number of Loans	Dollars (in thousands)
Charter One Bank	1,537	\$50,440
National City Bank	238	\$29,308
US Bank	132	\$9,094
FirstMerit Bank	125	\$15,878
Sky Bank	117	\$24,365

### 504 Loans

CDC	Number of Approvals	Total (\$\$s) of 504 Loans Approved
Cascade CDC Corp.	19	\$7,431,000
Lake County SBAC	18	\$5,928,000
Growth Capital Corp.	17	\$7,451,000
Mahoning Valley Econ. Dev. Corp.	8	\$4,034,000
Lucas County Improvement Corp.	8	\$1,427,000
Stark Dev. Board Finance Corp.	7	\$2,756,000
Ohio Statewide Development Corp.	2	\$517,000
West Central Partnership	1	\$491,000
Mentor Econ. Development Corp.	1	\$372,000

Lender	Number of 504s
KeyBank	19
JPMorgan Chase Bank	11
FirstMerit Bank	8
National City Bank	7
Huntington Bank	6